



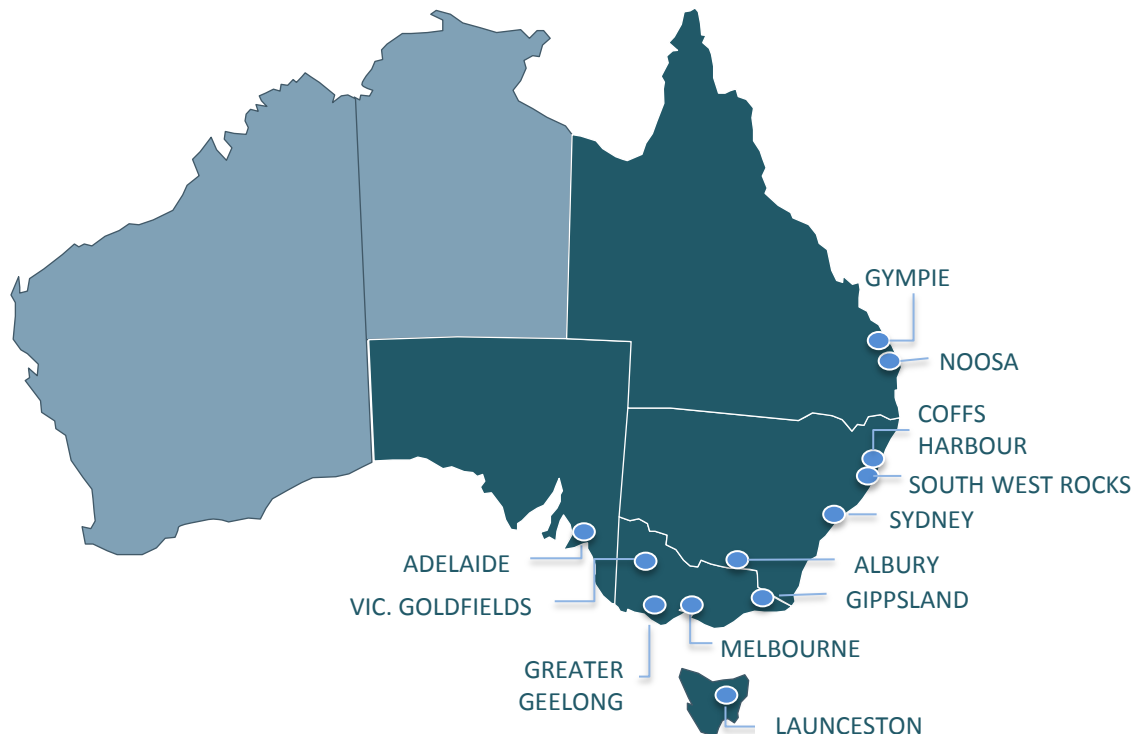
# UBS AUSTRALASIA CONFERENCE 8 NOVEMBER 2016

Andrew Sudholz - Managing Director & CEO



# Japara Healthcare's Residential Aged Care Portfolio

Leading market position with a growing national footprint



**43**  
residential aged  
care facilities  
across 5 States

Diversified  
portfolio of  
high quality  
assets

Over  
**3,950**  
operational beds

**94%**  
of portfolio is  
Freehold

**100%**  
accreditation  
record

Over  
**4,400**  
employees

## **FY16 Solid result, in line with guidance**

### **Double-digit revenue and EBITDA growth**

- Revenue up 16.4% to \$327.3 million
- EBITDA up 10.9% to \$56.1 million
- NPAT up 5.6% to \$30.4 million

### **Strong cash generation and dividend**

- Net RAD inflow of \$54.9 million
- Final dividend of 5.75 cents per share, fully franked
- Full year dividend of 11.5 cents per share, fully franked

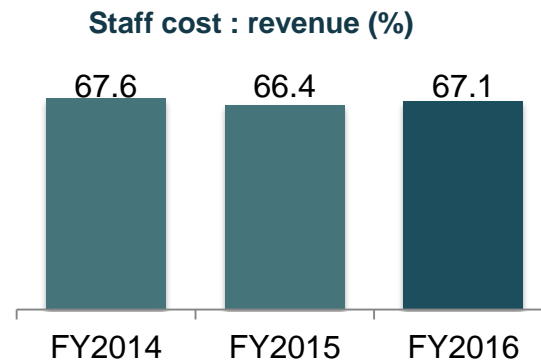
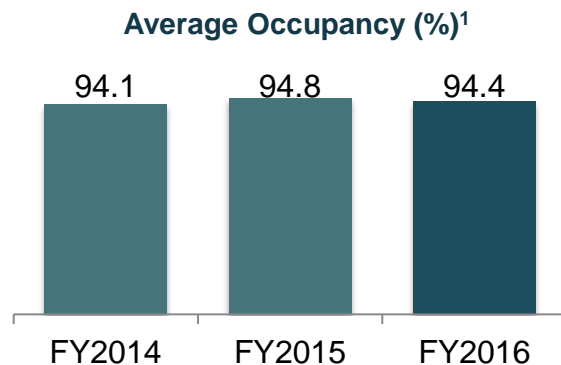
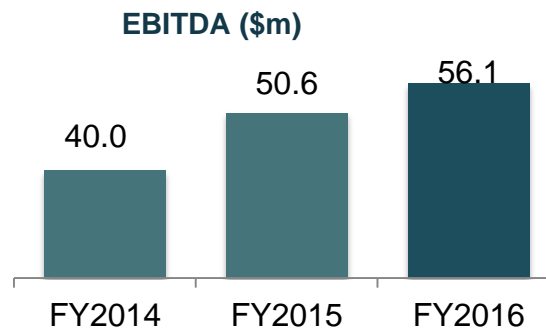
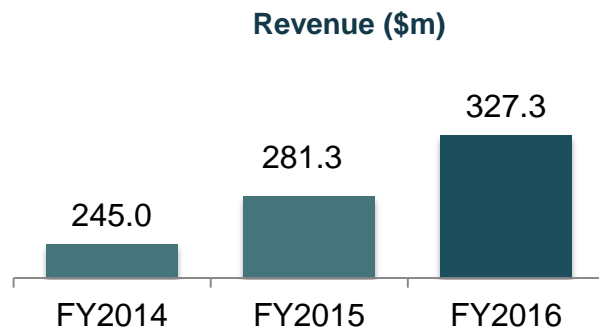
### **Strong balance sheet, well positioned for growth**

- Net bank debt of \$34.9 million
- \$160.5 million of undrawn debt facilities

### **Excellent progress on diversified growth strategy**

- Developing new capacity in strategic markets
- Profke portfolio performing well

# A History of Outstanding Performance



1. Excludes facilities undergoing refurbishment

# Residential Aged Care Sector – Attractive Sector Demographics

**A significant component of the healthcare sector with strong consumer demand from demographic growth**

**76,000 additional beds required in the next decade**

- Approx. \$33 billion in investment needed to meet forecast demand

**Solid revenue platform backed by Government funding**

- \$15.8 billion in annual revenue
- \$10.4 billion of this is Government funding
- ACFI growth rate circa 5.1% p.a.
- Additional services increasing due to consumer choice

**Industry expected to shift toward consumer directed and funded care**

- Opportunity for providers to expand service offering

**Market remains highly fragmented**

- 2,600 facilities operated by more than 1,000 providers nationally
- Opportunities for consolidation



# Business Growth Aligned to Future Market Environment

To deliver the highest quality of clinical aged care for our residents, and profitably increase our capacity to meet the growing community need for residential aged care

## Five pillars of growth underpinned by commitment to delivering high quality care



Enhance the existing portfolio

Maximise the value of our current portfolio, maintain top-quartile industry performance



Brownfield and greenfield developments

Deliver high quality additional capacity through brownfield and greenfield developments, including significant refurbishment



Selective acquisitions

Expand our national portfolio via value-accretive acquisitions that meet our investment criteria



Strategic relationships

Leverage partnerships with organisations with complementary businesses or specialties



Future services and products

Establish new service offerings and revenue streams based on reform parameters and consumer directed care

# Aligning the Existing Portfolio to Future Market

## Business model underpinned by focus on delivering high quality care

- **Continued focus on clinical care and governance**
  - Strong Registered and Enrolled Nurse presence
  - Specialised dementia care capability
  - All facilities fully accredited with 44/44 outcomes
- **Deliver high quality accommodation and amenities**
  - Social and community spaces
  - Expanded wellbeing and lifestyle options
- **Continued investment in capability to support growth**
  - COO and CIO appointed
  - Investment in digitisation and business intelligence



# Aligning the Existing Portfolio to Future Market (Continued)

- **“New World” service delivery and revenue**
  - Specified care and services
    - ACFI funded
  - Additional services
    - Resident funded
  - Daily Accommodation payment
    - Resident funded
  - Significant Refurbishment supplement
    - Government funded
  - Sub Acute / Transitional care
    - Hospital funded
  - Capital Refurbishment Deduction
    - Resident funded
  - Specialised Dementia care
    - Resident funded beyond specified care and services





# Developments Provide Substantial Growth

**Development program to deliver 900+ new places by the end of FY2019**  
**Strategy to deliver over 2,500 new places by 2025/26**

- **Greenfields: building presence in optimal metropolitan locations**
  - Targeting sites in under-bedded metropolitan locations to underpin future occupancy, additional services revenue, and contract pricing
  - 4 new sites secured in FY2016 to deliver 450 new operational places
- **Brownfields: delivering modernised facilities and new capacity at existing homes**
  - Bayview and Trevu delivered 54 new places in FY2016
  - 4 developments to be completed in FY2017 – 124 new bed places
- **Attractive financial returns**
  - Revenue uplift opportunities in new/upgraded facilities
  - RAD capital supports developments
  - Higher Bed Contract Values from optimal metropolitan locations



Architectural Schematic – Mt Waverley, VIC (Greenfield)



Architectural Schematic – Central Park, Windsor, VIC (Brownfield)

# A History of Value Adding Acquisitions

## Disciplined and selective approach

- **Successful acquisition and integration of Profke portfolio**
  - 520 places in operation
  - Entry into QLD, expansion in NSW
  - Integration progressing to plan, reconfiguration and refurbishment underway
- **Strong acquisition track record established**
  - FY2016: Profke, 587 places
  - FY2015: Whelan, 258 places
- **Proven integration capability**
- **Strict investment criteria**
  - Strong care fundamentals, accreditation history, ACFI governance
  - Strategic enhancement to national portfolio, strong geographic fit, attractive demand dynamics
  - Potential for business improvement under Japara Healthcare's ownership
- **Value accretive for Japara Healthcare shareholders**



Noosa Residential Care – part of the acquired Profke portfolio

## **Japara Healthcare implements on strategy – continue to deliver sustainable earnings growth over the medium term**

- **Majority of revenue and EBITDA growth will come from capacity expansion**
- **Development program to meet demand**
  - Circa 1,000 bed places by 2020 – land owned or secured and bed licences held
  - More than 2,500 bed places by 2025 – Build, own and operate
  - Continued investment in portfolio to maintain high quality accommodation and significant refurbishment revenue
- **Acquisition program continuing**
  - Selective acquisitions that meet investment criteria
  - Proven track record of value accretive acquisitions
  - Opportunities may present as Government funding cuts impact smaller providers
- **Strong net RAD inflows to support growth**
  - Circa \$78 million in FY17
- **Optimal capital structure in place**
  - Strong Balance Sheet
  - Net core debt circa 1 times EBITDA

- **Capable and experience management**
  - Continued investment in human resources and technology
  - Excellence in integration of acquisitions and developments
- **Highly defensive underlying earnings backed by Government funding**
  - ACFI growth rate – circa 5.1% p.a. projected
- **Greater revenue contribution in future from:**
  - Additional services
  - Daily Accommodation Payments (DAPs)
  - Significant refurbishment
  - Sub acute services
  - Capital refurbishment deduction
- **Business is highly capable of managing change**
  - Repositioned business model / care program to mitigate impact of recent Federal Government changes to Complex Health Care funding and indexation

## **FY17 outlook**

- **As advised in August 2016, FY17 EBITDA is expected to grow at a similar rate to FY16. Considerations include:**
  - Full year contribution from acquisitions
  - Partial FY17 contribution from brownfield and greenfield developments, increasing in FY18 and beyond
  - Transition to post-reform income (e.g. Daily Accommodation Payments, Additional Services, Significant Refurbishment) from pre-reform income (e.g. bond retention and accommodation charges)
  - Low single-digit ACFI growth expected in FY17 in line with Government funding
  - Further investment in capability to support the business' development and growth strategy
- **FY17 outlook remains unchanged**

This presentation was prepared by Japara Healthcare Limited (ABN 54 168 631 052), the Company. Information contained in this presentation is current as at 8 November 2016.

This presentation is provided for information purposes only and has been prepared without taking account of any particular reader's financial situation, objectives or needs. Nothing contained in this presentation constitutes investment, legal, tax or other advice. Accordingly, readers should, before acting on any information in this presentation, consider its appropriateness, having regard to their objectives, financial situation and needs, and seek the assistance of their financial or other licensed professional adviser before making any investment decision. This presentation does not constitute an offer, invitation, solicitation or recommendation with respect to the subscription for, purchase or sale of any security, nor does it form the basis of any contract or commitment.

Except as required by law, no representation or warranty, express or implied, is made as to the fairness, accuracy or completeness of the information, opinions and conclusions, or as to the reasonableness of any assumption, contained in this presentation. By reading this presentation and to the extent permitted by law, the reader releases the Company and its affiliates, and any of their respective directors, officers, employees, representatives or advisers from any liability (including, without limitation, in respect of direct, indirect or consequential loss or damage or loss or damage arising by negligence) arising in relation to any reader relying on anything contained in or omitted from this presentation.

The forward looking statements included in this presentation involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, the Company. In particular, they speak only as of the date of these materials, they assume the success of Japara Healthcare Limited's business strategies, and they are subject to significant regulatory, business, competitive and economic uncertainties and risks. Actual future events may vary materially from forward looking statements and the assumptions on which those statements are based. Given these uncertainties, readers are cautioned not to place reliance on such forward looking statements. Past performance is not a reliable indicator of future performance.

